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Department of Finance and Deregulation

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Commonwealth Property Management Guidelines

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The Financial Management Guidance series of publications

- No.1 *Commonwealth Procurement Guidelines*, December 2008.
- No.2 *Australian Government Foreign Exchange Risk Management Guidelines*, September 2006.
- No.3 *Guidance on Confidentiality in Procurement*, July 2007.
- No.4 *Australian Government Cost Recovery Guidelines*, July 2005.
- No.6 *Guidelines for Issuing and Managing Indemnities, Guarantees, Warranties and Letters of Comfort*, September 2003.
- No.7 *Guidelines for the Management of Special Accounts*, October 2003.
- No.8 *Guidance on the Listing of Contract Details on the Internet (Meeting the Senate Order on Department and Agency Contracts)*, January 2004.
- No.9 *Australian Government Competitive Neutrality Guidelines for Managers*, February 2004.
- No.10 *Guidance on Complying with Legislation and Government Policy in Procurement*, January 2005.
- No.11 *The Role of the CFO – Guidance for Commonwealth Agencies*, April 2003.
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- No. 2 *Governance Arrangements for Australian Government Bodies.*
- No. 3 *Financial Management and Accountability Legislation, October 2005.*
- No. 4 *Commonwealth Authorities and Companies Legislation, February 2006.*
- No. 5 *Introduction to Cost-Benefit Analysis and Alternative Evaluation Methodologies, January 2006.*
- No. 6 *Handbook of Cost-Benefit Analysis, January 2006.*
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Foreword



I am pleased to issue the *Commonwealth Property Management Guidelines* (the Property Guidelines).

The Property Guidelines contain the Government's policy for the management of property leased or owned by the Commonwealth and apply to all agencies subject to the *Financial Management and Accountability Act 1997* (FMA Act).

Within the current environment of devolved responsibility, the Property Guidelines establish the broad Government policy framework within which FMA Act agencies manage their property portfolio. The Property Guidelines seek to enhance good property management practice across agencies, providing increased efficiency and effectiveness of property use in the course of Government business.

The Property Guidelines are largely principles based. They contain mandatory requirements for all agencies to have a property management plan and to provide data on properties leased and owned by FMA Act agencies to the Department of Finance and Deregulation.

I am aware that officials from a number of Commonwealth agencies other than my Department have assisted in the development of these Property Guidelines and supporting guidance. I would like to express my appreciation for those efforts and I look forward to ongoing cooperation across agencies to improve property management outcomes for the Commonwealth.

I commend the Property Guidelines to Australian Government officials involved in property management.

A handwritten signature in black ink, reading "Lindsay Tanner". The signature is written in a cursive style with a large, looping 'L' and 'T'.

Lindsay Tanner
Minister for Finance and Deregulation

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Purpose and Context

1. Purpose of the Commonwealth Property Management Guidelines

- 1.1 These *Commonwealth Property Management Guidelines* (the Property Guidelines) are issued by the Minister for Finance and Deregulation (Finance Minister) to assist *Financial Management and Accountability Act 1997* agencies (agencies) in the efficient, effective and ethical management of Commonwealth property.
- 1.2 The Property Guidelines establish five property management principles for agencies and articulate the Government's expectations for all agencies in relation to property management.
- 1.3 The Property Guidelines establish the Government's property management policy under which agencies determine their own specific property management practices.

2. Overarching Context for Commonwealth Property Management: Proper Use of Commonwealth Resources

- 2.1 The *Financial Management and Accountability Act 1997* (FMA Act) sets out the legislative provisions for the proper use and management of Commonwealth resources. Section 44 of the FMA Act requires Chief Executives to promote the proper use of Commonwealth resources for which they are responsible. Subsection 44(3) of the FMA Act defines 'proper use' as efficient, effective and ethical use that is not inconsistent with the policies of the Commonwealth. In relation to the management of Commonwealth property, Chief Executives mainly discharge this responsibility by ensuring that their agencies have appropriate strategic planning, policies and procedures in place to achieve value for money in property management.
- 2.2 *Efficiency* relates to the productivity of Commonwealth resources used to conduct an activity in order to achieve the maximum value for those resources. In relation to property management, this involves the active management of property leased or owned by agencies to ensure that it is appropriate to business needs, achieves the best value for money, and is consistent with the principles outlined in the Property Guidelines.
- 2.3 *Effectiveness* relates to how well outcomes meet objectives. It concerns the immediate characteristics of an agency's outputs and the degree to which property contributes to achieving specified outcomes. Agencies should ensure that property is suitable to the nature of their business and supports the delivery of Budget funded outcomes.

Scope

- 2.4 Many policies that may affect property management are the responsibility of agencies outside the Department of Finance and Deregulation (Finance) portfolio. The agency administering a policy is responsible for providing further information and support if required. The *Administrative Arrangements Order* includes a list of Departments of State and their responsibilities.¹

3. Scope

- 3.1 The Property Guidelines apply to all properties within Australia (including external territories)² that are leased or owned by agencies. The Property Guidelines do not apply to property leased or owned overseas.
- 3.2 Bodies subject to the *Commonwealth Authorities and Companies Act 1997* are legally and financially separate from the Commonwealth and are not subject to the Property Guidelines.
- 3.3 Property that is out of scope for the purposes of the Property Guidelines may be managed with regard to the principles outlined to assist in achieving efficient, effective and ethical outcomes.
- 3.4 Nothing in any part of these Property Guidelines prevents an agency from applying measures determined by their Chief Executive to be necessary: for the effective delivery of core business outputs; for the maintenance or restoration of international peace and security; to protect human health; for the protection of essential security interests; or to protect national treasures of artistic, historic, or archaeological value. Applying such measures does not diminish the responsibility of Chief Executives under section 44 of the FMA Act to promote the proper use of Commonwealth resources.
- 3.5 The Property Guidelines are supported by a range of better practice property management guidance.³ Further, cross-agency coordination and information sharing in relation to Commonwealth property is assisted by the following measures:
- a Deputy Secretary level Commonwealth property inter-departmental committee, chaired by Finance, to provide a strategic focus for Commonwealth property management operations, promote the efficient utilisation of Commonwealth property and encourage information sharing between agencies;

¹ The *Administrative Arrangements Order* is available from www.pmc.gov.au.

² Australia's external territories comprise the territory of Christmas Island, the territory of Cocos (Keeling) Islands, Norfolk Island, Ashmore and Cartier Islands, the Coral Sea Islands Territory, the Australian Antarctic Territory, and the territory of Heard and McDonald Islands.

³ Available from www.finance.gov.au.

Policy Principles

- the Senior Property Officers Forum, hosted by Finance, to facilitate inter-agency communication and advice in regard to property management; and
- cross-agency information sharing through the Commonwealth Property Management Community.⁴

4. Commonwealth Property Management Policy Principles

4.1 The Australian Government has established five principles for efficient, effective and ethical property management:

1. value for money;
2. property management planning;
3. efficient and effective design;
4. appropriate accountability measures; and
5. cooperative Commonwealth property management.

5. Principle One: Value for Money

- 5.1 Value for money is a key principle underpinning property management and all associated Australian Government procurement processes. This principle requires a comparative analysis of all relevant costs and benefits of each property proposal throughout the term of occupation, ownership, or related services (whole-of-life costing).
- 5.2 Agencies should ensure whole-of-life costing by fully recognising significant costs associated with each property over the short, medium and long term.
- 5.3 In assessing value for money, factors other than cost should be considered where relevant, including:
- the suitability of property;
 - the potential for flexibility in design, use and management;
 - expected short, medium and long term outcomes of each option;
 - the relative risks of the property proposal;
 - the likely environmental and heritage impacts;

⁴ A website for access by Commonwealth officials at www.govdex.gov.au.

Policy Principles

- the prevailing circumstances of the property market;
- the impact of any contract or lease options; and
- the options for disposal.

Contracts and leases

- 5.4 The design and management of contracts and leases, and the subsequent negotiation of lease renewals and rent reviews related to property management, have a significant impact on the value for money obtained by agencies. Agreements should be appropriately constructed with a view to maximising value for money.
- 5.5 Agencies should implement appropriate systems and performance measures for the active management of contracts and leases, incorporating regular monitoring and review processes to ensure that terms and conditions are met and remain appropriate.
- 5.6 Outsourced service providers are sometimes required to comply with relevant Government policies. Agencies are expected to reflect applicable obligations in relevant documentation and ensure appropriate clauses in Government contracts.
- 5.7 Agencies must ensure that contracts and leases are awarded with regard to achieving the best value for money as outlined in the *Commonwealth Procurement Guidelines* and may have regard to the mandatory procurement procedures where appropriate to improve value for money outcomes.

6. Principle Two: Property Management Planning

- 6.1 It is a mandatory requirement for all agencies to have a property management plan in place from 1 October 2010 to support the achievement of short, medium and long term property objectives and to assist in demonstrating the efficient, effective and ethical use of Commonwealth resources.
- 6.2 Chief Executives are responsible and accountable for their agencies' use and management of occupied property. Accordingly, property management plans are required to be approved by the agency Chief Executive or by an appropriate official⁵ nominated by the Chief Executive. This plan should be reviewed and updated annually, or as appropriate, to ensure accountability and relevance to prevailing circumstances.

⁵ 'Official' is defined in section 5 of the FMA Act to mean a person who is in an agency or is part of an agency.

Policy Principles

- 6.3 In order to be effective, property management planning should be directly linked to and be supportive of agencies' broader strategic plans, including business and corporate plans. Agencies should also consider business continuity issues when undertaking property management planning.⁶
- 6.4 Relevant property risks should be identified for the purposes of property management planning and appropriate strategies to manage and mitigate these risks should be developed and documented. Agencies should have regard to the principles and guidance outlined in Comcover's *Risk Management Better Practice Guide*.⁷ Agencies should also have regard to the cover and options provided by the Comcover Insurance Policy.
- 6.5 Undergoing a machinery of government change can be a major property management challenge. While agencies have no control over such changes, there are opportunities for planning to manage the impacts of such changes, and deal with other major disruptions, for example:
- providing contingencies for the need to acquire additional accommodation at short notice to perform additional functions;
 - coordinating with other agencies where functions are transferred; and
 - incorporating flexible accommodation design to adapt to a range of requirements.
- 6.6 Property management planning should take into account the full inventory of an agency's property portfolio and associated costs. Property management plans should address agency staffing level forecasts where possible, as well as contingencies to deal with office churn. The use and functionality of a property should be considered in addition to ongoing condition and maintenance issues.
- 6.7 A variety of performance indicators and benchmarks may be proposed in property management plans to measure efficiency and effectiveness, such as vacancy rates, accommodation density and costs.

⁶ The Australian National Audit Office has developed business continuity better practice guidance titled *Business Continuity Management – Building resilience in public sector entities* - available from www.anao.gov.au.

⁷ Available from www.finance.gov.au/comcover/. Comcover is the Australian Government's general insurance fund. Comcover provides insurance and risk management services to Australian Government departments and agencies.

Policy Principles

7. Principle Three: Efficient and Effective Design

- 7.1 Property should provide the appropriate facilities and amenities to allow agencies to efficiently and effectively deliver core business outputs.
- 7.2 In relation to space management, agencies entering into a new lease or owned building or undertaking a major fit-out for existing office accommodation, where the lease/building contains more than 500 square metres of usable office area, should have regard to the occupational density target established by the Government, of 16 square metres of usable office area per occupied workpoint. Further information on occupational density and associated elements is available from the data specifications⁸ for the Australian Government Property Data Collection.
- 7.3 The occupational density target has been established by the Government to enhance efficient use of office accommodation and applies to all property leased or owned by agencies.
- 7.4 Office design should be sufficiently flexible to facilitate an efficient and cost effective response to changing organisational needs when they arise. This may be assisted by the use of standard modular fit-outs and adaptable meeting rooms and offices.
- 7.5 Greater value for money can be achieved by limiting the use of office space for storage and seeking lower cost alternatives where possible.
- 7.6 The impact of office design and building quality on staff should be considered and staff should be consulted on proposed workplace design. Proper regard should also be given to the requirements of the *Occupational Health and Safety Act 1991* (with expert advice as necessary) to fulfil the Government's commitment to the ethical use of Commonwealth resources.
- 7.7 Consideration of accessibility, co-location of like services, and the availability of public transport and other amenities when evaluating property options may benefit the efficient and effective operation of a particular property.

⁸ Available from www.finance.gov.au.

8. Principle Four: Appropriate Accountability Measures

- 8.1 Accountability and transparency are principles that encourage the efficient, effective and ethical use of Commonwealth resources. Agencies need to have procedures in place to ensure that property management is conducted soundly and that decisions are documented, defensible and substantiated in accordance with legislation and Government policy.
- 8.2 Agencies are required to collect specific property data (the Australian Government Property Data Collection) and report this information to Finance to help agencies identify better practice and inform whole of government property management policy.
- 8.3 Agencies' accountability for efficient, effective and ethical property management is assisted through a variety of internal and external mechanisms.

Internal accountability

- 8.4 Internal accountability is supported by a documented property management plan, and by lease and contract documents that permit appropriate monitoring and review against relevant performance indicators. Reporting and record keeping should be of a standard that allows adequate scrutiny.
- 8.5 Agencies should also assess the ongoing condition, effectiveness and sufficiency of property through regular monitoring and evaluation of properties within their portfolio.
- 8.6 Agencies should ensure clear communication of agency-specific property objectives and property management roles and responsibilities to enhance internal accountability and enable accurate monitoring of deliverables.
- 8.7 Relevant and inclusive consultation processes can also contribute to accountability.

Policy Principles

External accountability

- 8.8 External accountability is primarily achieved through accountability to the Parliament and other transparency measures. This includes through:
- compliance with the *Public Service Act 1999*;
 - Senate Estimates and other Parliamentary Committees (such as those of the Public Works Committee);
 - the Budget process to determine where Commonwealth resources should be allocated;
 - performance audits undertaken by the Australian National Audit Office;
 - publishing of forthcoming property procurement opportunities (including leases) within annual procurement plans on AusTender, where appropriate, and publishing contract details on AusTender; and
 - compliance with other relevant legislation and Government policies, for example, the *Lands Acquisition Act 1989*.⁹

Documentation

- 8.9 Documentation is a critical element of robust accountability and transparency. A well planned and executed property management process that is supported by appropriate documentation is more likely to withstand external scrutiny.
- 8.10 Agencies must maintain appropriate documentation for each property management activity. The appropriate mix and level of documentation depends on the nature and risk profile of the activity being undertaken. Officials need to ensure there is sufficient documentation to provide an understanding of the reasons for significant property related decisions.

⁹ The acquisition and disposal of any interest in property by the Commonwealth needs to be authorised under the *Lands Acquisition Act 1989*. Information regarding this and other Government policies that interact with Commonwealth property management can be found on the Finance website (www.finance.gov.au).

9. Principle Five: Cooperative Commonwealth Property Management

Information sharing

- 9.1 Good information facilitates the identification of opportunities for a more targeted use of Commonwealth property resources. Agencies attempting to locate property at the same time in the same market should have regard to the outcome to be achieved for the Commonwealth.
- 9.2 Information sharing between and within agencies in regard to property management activity facilitates a cooperative approach to the efficient management of space and Commonwealth property resources.
- 9.3 Agency participation at the Senior Property Officers Forum enables the development of productive relationships and consultation between agency property managers and facilitates further information sharing.
- 9.4 Information sharing between relevant areas within agencies helps to ensure that core business and corporate needs with respect to property management are addressed.

Use of space

- 9.5 Whenever cost effective and appropriate, agencies should consider vacant space being offered by other Commonwealth agencies for sub-lease or assignment. Terms and conditions between agencies should be negotiated and documented by the relevant parties. Payment to the landlord or head lessee should be made by the agency acquiring space in accordance with the negotiated agreement.
- 9.6 To streamline the process of transferring leased space between agencies, several standard Memorandums of Understanding have been developed to transfer all or part of an agency's premises. These templates are available to agencies on GovDex.

Definitions

10. Definitions

The following definitions apply for the purposes of the Property Guidelines:

AusTender – the central web based facility for publication of Australian Government procurement information, including business opportunities, annual procurement plans and contracts awarded.

Australian Government Property Data Collection (PRODAC) – PRODAC involves the collection of property data by agencies on a biannual basis including data relating to occupational density. The Data Specifications for PRODAC define the data elements that are collected by Finance and are available on the Finance website (www.finance.gov.au).

Business continuity – the ability of an organisation to quickly resume core functions following a serious interruption of business activities.

Fit-out – fabrication and/or renovation on the non-base elements of a property to create the internal layout of an office area.

GovDex (www.govdex.gov.au) – an Australian Government website that supports collaboration across agencies. It provides a secure, private, web based space for agencies to share documents and information.

Lease – a legal agreement made between the lessee and a lessor which grants possession of a premises for a fixed period in exchange for the payment of rent.

Major fit-out – fabrication and/or renovation on the non-base elements of half or more of a property's usable office area to create the internal layout of an office area (where the usable office area is over 500 square metres).

Occupied workpoint – a workpoint that contains all 'essential equipment' for carrying out office work, shows 'signs of life' and could reasonably be judged to be a place where office work is regularly undertaken. The detailed definition of non-office area can be found in the PRODAC Data Specifications.

Office churn – the relocation of people within a building.

Definitions

Property – land or buildings.

Property management plan – a plan set out for an agency that details its proposed property management activity over a given period.

Usable office area – the area of a property which is suitable for office use by an agency. It does not include non-office areas, such as basements, operational areas (e.g. police stations, hearing rooms and laboratories) and public galleries or reception areas. The detailed definition of non-office area can be found in the PRODAC Data Specifications.

Whole-of-life costing – an estimate of all expected costs over the lifetime of the relevant lease or property, including costs of acquisition, operation and maintenance.

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